

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Freedom Township	County Washtenaw
Fiscal Year End March 31, 2006	Opinion Date 7-25-2006	Date Audit Report Submitted to State 9-14-2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

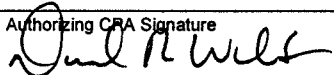
YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Post, Smythe, Lutz and Ziel, LLP		Telephone Number 734-453-8770	
Street Address 1034 West Ann Arbor Trail		City Plymouth	State MI
Zip 48170			
Authorizing CPA Signature 		Printed Name David R. Williamson	License Number 1101012382

**FREEDOM TOWNSHIP
Washtenaw County, Michigan**

AUDITED FINANCIAL REPORT

**For the Fiscal Year Ended
March 31, 2006**

FREEDOM TOWNSHIP
For the Year Ended March 31, 2006

Table of Contents

INTRODUCTORY SECTION

Table of Contents

FINANCIAL SECTION

Page

Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-5
Basic Financial Statements:	
Government Wide Financial Statements:	
Statement of Net Assets – Cash Basis	6
Statement of Activities – Cash Basis.....	7
Fund Financial Statements:	
Balance Sheet – Governmental Funds – Cash Basis	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds – Cash Basis.....	9
Fiduciary Funds – Statement of Assets and Liabilities – Cash Basis	10
Notes to Financial Statements.....	11-17
Required Supplementary Information:	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund – Cash Basis.....	18-19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Public Improvement – Cash Basis.....	20

FINANCIAL SECTION

POST, SMYTHE, LUTZ and ZIEL LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502

TELEPHONE (734) 453-8770
FAX (734) 453-0312

Dennis M. Siegner, C.P.A., C.V.A.

David R. Williamson, C.P.A.

Jane F. Wang, C.P.A.

Joseph N. Elder, C.P.A.

Rana M. Emmons, C.P.A.

Jennifer A. Galofaro, C.P.A., C.V.A.

Susan H. Bertram, C.P.A.

Paula Ge, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212

TELEPHONE (248) 644-9125
FAX (248) 593-1986

Independent Auditor's Report

July 25, 2006

To the Board of Trustees
Freedom Township
Freedom, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Township, Michigan, as of and for the year ended March 31, 2006, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Freedom Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As discussed in Note 1, the Township prepares its financial statements on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Freedom Township as of March 31, 2006, and the respective changes in cash basis financial position thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Board of Trustees
Freedom Township
July 25, 2006

The required supplemental information, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The required supplemental information has been subject to the auditing procedures applied in the audit of the basic financial statements, and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Respectfully,

A handwritten signature in black ink that reads "Post, Smythe, Lutz & Ziel". The signature is written in a cursive, flowing style.

POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Management's Discussion and Analysis

As management of Freedom Township, we offer readers of Freedom Township's financial statements this narrative overview and analysis of the financial activities of Freedom Township for the fiscal year ended March 31, 2006, within the limitations of the cash basis of accounting.

Financial Highlights

- The assets of Freedom Township exceeded its liabilities at the close of the most recent fiscal year by \$170,307, on the cash basis of accounting (*net assets*). All of this is available to be used to meet the government's ongoing obligations to citizens and creditors.
- The Township's General Fund ended the year with fund balance of \$144,689.
- Expenditures for governmental funds exceeded revenues, on a cash basis, by \$21,301.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Freedom Township's basic financial statements. Freedom Township's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Freedom Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of Freedom Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Freedom Township is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year, on the cash basis of accounting.

The government-wide financial statements can be found on pages 7-8 of this report.

Basis of Accounting. The Township has elected to present its financial statements on the cash receipts and disbursements method of accounting, which is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Township's cash basis of accounting, revenues and expenses are recorded when they result from cash transactions.

As a result of the use of this cash basis of accounting, certain assets, and their related revenues, (such as fixed assets, and accounts receivable), and certain liabilities and

their related expenses (such as accounts payable and expenses for goods or services received but not yet paid) are not recorded in these financial statements. Therefore, when reviewing the financial information and discussions within this annual report, the reader should keep in mind the limitations resulting from the use of the cash basis of accounting.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Freedom Township, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of Freedom Township are divided into two categories: governmental and fiduciary.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Freedom Township maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General and Public Improvement, which are considered to be "Major" Funds.

A budgetary comparison statement has been provided for the major funds (General and Public Improvement funds) to demonstrate compliance with the annual appropriated budgets.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support Freedom Township's own programs.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 11-17.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Freedom Township, assets exceeded liabilities by \$170,307, on a cash basis, at the close of the most recent fiscal year. Since the financial statements are prepared on the cash receipts and disbursements method, the "net assets" consist of unrestricted assets (cash).

The government's net assets decreased by \$21,301 during the current fiscal year. This decrease is the result of significant capital expenditures.

Financial Analysis of the Government's Funds

As noted earlier, Freedom Township used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of Freedom Township's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing Freedom Township's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the Township. At the end of the current year, unreserved fund balance (on a cash basis) and total fund balance was \$144,689. The Township's general fund increased by \$31,568. The increase was the result of recurring receipts of revenues exceeding operating cash disbursements; no significant capital expenditures were made.

The Public Improvement Fund had a total fund balance of \$25,618; which was a decrease of \$52,869 due to capital expenditures.

General Fund Budgetary Highlights

There were minor differences between beginning and final budgets in the General Fund. The Township amended the Public Improvement Fund to reflect the increased expenditures.

Capital Asset and Debt Administration

As mentioned previously, the Township has elected to present its financial statements on the cash receipts and disbursements method of accounting, which is a basis of accounting other than generally accepted accounting principles. Accordingly, capital assets are not presented. The Township has no long term debt.

Economic Factors and Next Year's Budgets and Rates

The unemployment rate is still high in the State of Michigan and the State's budgetary difficulties may mean reductions in state shared revenues. Freedom Township's millage rate was reduced again by the Headlee Amendment rollback for operating purposes. These factors were considered in preparing Freedom Township's budget for the 2006-2007 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of Freedom Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Supervisor, Freedom Township.

BASIC FINANCIAL STATEMENTS

FREEDOM TOWNSHIP
Statement of Net Assets - Cash Basis
March 31, 2006

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Cash and Cash Equivalents	\$ <u>181,277</u>
<u>Liabilites</u>	
Deposits	3,554
Due to Other Governmental Units	<u>7,416</u>
Total Liabilities	<u>10,970</u>
Net Assets, Unrestricted	\$ <u><u>170,307</u></u>

FREEDOM TOWNSHIP
Statement of Activities - Cash Basis
For the Year Ended March 31, 2006

<u>Functions/Programs</u>	<u>Program Cash Receipts</u>			<u>Net (Disbursement) Receipts and Changes in Net Assets</u>
	<u>Cash Disbursements</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General Government	\$ 110,867	\$ 37,951	\$ -	\$ (72,916)
Public Safety	78,809	13,217	3,219	(62,373)
Public Works	22,586	1,898	-	(20,688)
Other Functions	6,805	-	-	(6,805)
Capital Outlay	54,029	-	-	(54,029)
Net program (disbursements) receipts	\$ <u>273,096</u>	\$ <u>53,066</u>	\$ <u>3,219</u>	<u>(216,811)</u>
General Receipts:				
Property Taxes				81,061
State Shared Revenue				105,495
Unrestricted Investment				
Earnings				<u>8,954</u>
Total General Receipts				<u>195,510</u>
Change in Net Assets				(21,301)
Net Assets - Beginning				<u>191,608</u>
Net Assets - Ending				\$ <u>170,307</u>

FREEDOM TOWNSHIP
Balance Sheet - Cash Basis
Governmental Funds
March 31, 2006

	<u>General</u>	<u>Public Improvement Fund</u>	<u>Total Governmental Funds</u>
<u>ASSETS</u>			
Cash and Cash Equivalents	\$ 160,117	\$ 21,160	\$ 181,277
Due from Other Funds	<u>-</u>	<u>4,458</u>	<u>4,458</u>
Total Assets	\$ <u>160,117</u>	\$ <u>25,618</u>	\$ <u>185,735</u>
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Deposits	\$ 3,554	\$ -	\$ 3,554
Due to Other Governmental Units	7,416	-	7,416
Due to Other Funds	<u>4,458</u>	<u>-</u>	<u>4,458</u>
Total Liabilities	<u>15,428</u>	<u>-</u>	<u>15,428</u>
Fund Balance:			
Unreserved for:			
General Fund	144,689	-	144,689
Special Revenue Fund	<u>-</u>	<u>25,618</u>	<u>25,618</u>
Total Fund Balance	<u>144,689</u>	<u>25,618</u>	<u>170,307</u>
Total Liabilities and Fund Balance	\$ <u>160,117</u>	\$ <u>25,618</u>	\$ <u>185,735</u>

FREEDOM TOWNSHIP
Statement of Revenues, Expenditures and
Changes in Fund Balance - Cash Basis
Governmental Funds
For the Year Ended March 31, 2006

	<u>General</u>	<u>Public Improvement Fund</u>	<u>Total Governmental Funds</u>
Revenues:			
Current Property Taxes	\$ 81,061	\$ -	\$ 81,061
Special Assessments	1,898	-	1,898
Property Tax Administrative Fee	28,628	-	28,628
Permits and Fees	3,475	-	3,475
Intergovernmental - State	108,714	-	108,714
Reimbursements - Fire Runs	13,217	-	13,217
Rent	3,460	-	3,460
Interest	7,794	1,160	8,954
Other	2,388	-	2,388
Total Revenues	<u>250,635</u>	<u>1,160</u>	<u>251,795</u>
Expenditures:			
General Government	110,867	-	110,867
Public Safety	78,809	-	78,809
Public Works	22,586	-	22,586
Other Functions	6,805	-	6,805
Capital Outlay	-	54,029	54,029
Total Expenditures	<u>219,067</u>	<u>54,029</u>	<u>273,096</u>
Excess (Deficiency) of Revenues Over Expenditures	31,568	(52,869)	(21,301)
Fund Balance, Beginning of Year	<u>113,121</u>	<u>78,487</u>	<u>191,608</u>
Fund Balance, End of Year	\$ <u><u>144,689</u></u>	\$ <u><u>25,618</u></u>	\$ <u><u>170,307</u></u>

FREEDOM TOWNSHIP
Fiduciary Funds
Statement of Assets and Liabilities - Cash Basis
March 31, 2006

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ <u>52,653</u>
<u>LIABILITIES</u>	
Due to Other	\$ <u>52,653</u>

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Freedom Township is an unincorporated local unit of government (general law township) governed by the elected Board of Trustees. The Township provides the following services provided by law: General Government, Public Safety (Fire Protection), Planning and Zoning activities.

As discussed further in Note 1C, these financial statements are presented on the cash receipts and disbursements basis of accounting, which differs from accounting principles generally acceptable in the United States of America (GAAP). Generally accepted accounting principles include all relevant Governmental Accounting Standards Board (GASB) pronouncements.

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14, "The Financial Reporting Entity," the financial statements of Freedom Township contain all of the Township funds and authorities for which the Township is financially accountable and the nature and significance of their relationship with the Township are such that exclusion would cause the Township's financial statements to be misleading or incomplete. Financial accountability exists if the Township appoints a voting majority of an organization's governing board, is either able to impose its will on another organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the Township, or if an organization is fiscally dependant on the Township. Based on the foregoing criteria, no other organizations are included or excluded from the Township's Annual Report.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are supported by taxes and intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

B. Government-Wide and Fund Financial Statements – Continued

Separate financial statements are provided for the governmental funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The major individual governmental funds are reported as a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities and the fund financial statements, governmental and fiduciary activities are presented using the cash basis of accounting. This basis recognizes assets, liabilities, net assets/fund equity, revenues, and expenditures/expenses when they result from cash transactions in the received and disbursement method. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this cash basis of accounting, certain assets and their related revenues (such as accounts receivable and capital assets) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

If the Township utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

Governmental Funds

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Public Improvement Fund is a special revenue fund used to account for surplus non tax revenues transferred from the General Fund to be used for capital and public improvements.

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Fiduciary Funds

Fiduciary Funds account for assets held by the government in a trustee Township or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Agency Funds are used to account for assets that the government holds for others in an agency capacity. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Restricted Resources

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as needed.

D. Assets, Liabilities and Net Assets or Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the Township to invest in obligations of the U.S. Treasury, commercial paper of certain investment grades, and deposits of Michigan commercial banks. Investments for the Township are recorded at fair value.

2. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds".

3. Capital Assets

As discussed in note I.C., the Township presents both the governmental wide, and fund financial statements on the cash receipt and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because of this presentation, capital assets are treated as expenditures of a governmental fund when paid. They are not included as assets on the Statement of Net Assets, as it would have been presented in statements prepared in accordance with generally accepted accounting principles.

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

D. Assets, Liabilities and Net Assets or Equity – Continued

4. Long-term Obligations

As discussed in note I.C., the Township presents both the governmental wide, and fund financial statements on the cash receipt and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Because of this presentation, long-term debt is not recognized as a liability of a governmental fund until it is paid. The remaining portion of such obligations is not reported in the Statement of Net Assets, as it would have been presented in statements prepared in accordance with generally accepted accounting principles.

5. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The Township is legally subject to the budgetary control requirements of the State of Michigan P.A. 621 of 1978 (Uniform Budgeting Act). The following is a summary of the requirements of this act:

- a. Budgets must be adopted for the General and Special Revenue Funds.
- b. Budgets must be balanced.
- c. Budgets must be amended as necessary.
- d. Public hearings must be held prior to adoption.
- e. Expenditures cannot exceed budget appropriations.
- f. Expenditures must be authorized by a budget appropriation prior to being incurred.

The Township follows these procedures in establishing the budgetary data reflected in these financial statements:

1. A public hearing and adoption of the budget is required prior to commencement of the fiscal year.

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – Continued

A. Budgetary Information – Continued

2. On or before March 31, the tax rate is set and the budget is legally enacted through passage of a budget resolution (general appropriation act).
3. Formal budgetary integration is employed as a management control device for the General and Special Revenue Funds. Budgets for these funds are prepared and adopted on the cash receipts and disbursements method of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The General Fund budget is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level.
4. Budget appropriations lapse at year end.
5. The Township Board may authorize supplemental appropriations (budget amendments) during the year. During fiscal year 2006 budget amendments were made.

B. Compliance with P.A. 621 of 1978

1. Deficit Fund Balances

The Township has no funds with deficit balances.

2. Excess of Expenditures Over Appropriations in Budgetary Funds

The budget for the General Fund is adopted at the activity level and the budgets for the Special Revenue Funds are adopted at the fund level. Expenditures in excess of budget appropriations are as follows:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess Expenditures Over Appropriations</u>
General Fund:			
General Government	\$109,570	\$110,867	\$ 1,297
Public Works	19,000	22,586	3,586
Other Functions	6,700	6,805	105

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Under State law, the Township is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury, and corporate bonds and commercial paper with certain investment grades. Deposits (cash and certificates of deposit) are carried at cost which approximates market value.

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

III. DETAILED NOTES ON ALL FUNDS – Continued

A. Deposits and Investments - Continued

Custodial Credit Risk. In the event of a bank failure, the Township's deposits may not be recovered. Neither State law nor the Township's investment policy requires consideration of custodial credit risk. As of March 31, 2006, the Township's book balance of its deposits was \$233,930. The bank balance was \$320,624 which was exposed to custodial credit risk, as follows:

	<u>Bank Balance</u>
Insured by F.D.I.C.	\$ 143,314
Uninsured and Uncollateralized	<u>177,310</u>
Total	<u>\$ 320,624</u>

A reconciliation of cash to the accompanying financial statements follows:

Cash and Cash Equivalents per:	
Statement of Net Assets	\$ 181,277
Fiduciary Statement of Net Assets	<u>52,653</u>
Total	<u>\$ 233,930</u>

Credit Risk. State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The Township's investment policy does not further limit its investment choices.

Interest Rate Risk. The Township does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Township's deposits and investments consisted of the following:

Cash-Demand Deposit Accounts	\$ 43,314
Cash-Savings	190,616

Concentration of Credit Risk. The Township's investment policy places no limit on the amount the Township may invest in any one issuer. The Township does not have more than 5% of its total investments in any single issuer.

B. Interfund Receivables and Payables

The composition of interfund balances as of March 31, 2006, is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Public Improvement	General Fund	<u>\$ 4,458</u>

Amounts represent temporary uncleared balances.

FREEDOM TOWNSHIP
Notes to Financial Statements
March 31, 2006

III. DETAILED NOTES ON ALL FUNDS - Continued

C. Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on December 1 of the following year. The Township bills and collects its own property taxes and also taxes for the County and various school districts which are accounted for in the Tax Collection Agency Fund.

The Township is permitted by State law to levy taxes up to \$1.16 per \$1,000 of equalized valuation for general government services. The following is a summary of the tax rates levied on the 2005 tax roll and the source of authorization:

<u>Purpose</u>	<u>Authorization</u>	Per \$1,000 of State Equalized Value			
		<u>Authorized Rate (Pre Rollback)*</u>	<u>Authorized Rate (Post Rollback)*</u>	<u>Rate Levied</u>	<u>Tax Margin</u>
Operating	Charter	1.1600	1.0016	1.0000	0.0016

*Rollback refers to required reduction in millage rates to comply with provisions of state law (211.34d).

IV. OTHER INFORMATION

Risk Management

Freedom Township is a member of the Michigan Township Participating Plan for its property and casualty insurance coverage and maintains commercial insurance coverage for workers compensation, and accidental death, dismemberment and disability liabilities. The Township believes such coverage is sufficient to preclude any significant uninsured losses to the Township. Settled claims have not exceeded this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

FREEDOM TOWNSHIP
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - Cash Basis
For the Year Ended March 31, 2006

	Budgeted Amounts			Variance- Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenues:				
Current Property Taxes	\$ 75,541	\$ 75,541	\$ 81,061	\$ 5,520
Special Assessments	-	-	1,898	1,898
Property Tax Administrative Fee	26,000	26,000	28,628	2,628
Permits and Fees	1,750	1,750	3,475	1,725
Intergovernmental - State	110,300	110,300	108,714	(1,586)
Reimbursements - Fire Runs	2,000	2,000	13,217	11,217
Rent	1,500	1,500	3,460	1,960
Interest	4,000	4,000	7,794	3,794
Other	2,750	2,750	2,388	(362)
Total Revenues	<u>223,841</u>	<u>223,841</u>	<u>250,635</u>	<u>26,794</u>
Expenditures:				
General Government:				
Trustees Salary	3,500	3,500	3,080	420
Supervisor Salary	15,000	15,000	15,000	-
Clerk Salary	15,000	15,000	15,000	-
Deputy Clerk Salary	500	500	40	460
Treasurer Salary	15,000	15,000	15,000	-
Assessor	12,000	12,000	10,075	1,925
Elections	2,500	2,500	481	2,019
Conferences	1,000	1,000	125	875
Dues and Memberships	2,100	2,100	1,759	341
Legal	10,000	10,000	14,412	(4,412)
Office Supplies	6,000	6,000	7,891	(1,891)
Consulting Fee	1,000	1,000	1,814	(814)
Printing/Newsletter	2,500	2,500	668	1,832
Board of Review	720	720	520	200
Hall Management	22,350	22,350	24,401	(2,051)
Cemetery Maintenance	400	400	601	(201)
Total General Government	<u>109,570</u>	<u>109,570</u>	<u>110,867</u>	<u>(1,297)</u>
Public Safety:				
Building Code Administration	3,600	3,600	3,300	300
Zoning	5,050	5,050	4,106	944
Planning	15,550	16,771	25,389	(8,618)
Fire Protection	61,000	61,000	46,014	14,986
Total Public Safety	<u>85,200</u>	<u>86,421</u>	<u>78,809</u>	<u>7,612</u>
Public Works:				
Road and Drain Maintenance	19,000	19,000	20,688	(1,688)
Lake Improvement	-	-	1,898	(1,898)
Total Public Works	<u>19,000</u>	<u>19,000</u>	<u>22,586</u>	<u>(3,586)</u>

(continued)

FREEDOM TOWNSHIP
General Fund
Statement of Revenues, Expenditures, and Changes
in Fund Balance - Budget and Actual - Cash Basis
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			<u>Variance- Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Expenditures: (Continued)				
Other Functions:				
Workers Compensation	\$ 1,500	\$ 1,500	\$ 1,241	\$ 259
Payroll Taxes	5,200	5,200	5,564	(364)
Total Other Functions	<u>6,700</u>	<u>6,700</u>	<u>6,805</u>	<u>(105)</u>
Total Expenditures	<u>220,470</u>	<u>221,691</u>	<u>219,067</u>	<u>2,624</u>
Excess (Deficiency) of Revenues Over Expenditures	\$ <u>3,371</u>	\$ <u>2,150</u>	31,568	\$ <u>29,418</u>
Fund Balance, Beginning of Year			<u>113,121</u>	
Fund Balance, End of Year			\$ <u>144,689</u>	

FREEDOM TOWNSHIP
Public Improvement Fund
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget and Actual - Cash Basis
For the Year Ended March 31, 2006

	<u>Budgeted Amounts</u>			<u>Variance- Favorable (Unfavorable)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	
Revenues-Interest	\$ -	\$ -	\$ 1,160	\$ 1,160
Expenditures-Capital Outlay	<u>2,500</u>	<u>55,000</u>	<u>54,029</u>	<u>971</u>
Net Change in Fund Balance	\$ <u>(2,500)</u>	\$ <u>(55,000)</u>	(52,869)	\$ <u>2,131</u>
Fund Balance, Beginning of Year			<u>78,487</u>	
Fund Balance, End of Year			\$ <u>25,618</u>	

POST, SMYTHE, LUTZ and ZIEL LLP

Certified Public Accountants

PLYMOUTH

1034 WEST ANN ARBOR TRAIL
P.O. BOX 5520
PLYMOUTH, MI 48170-1502

TELEPHONE (734) 453-8770
FAX (734) 453-0312

Dennis M. Siegner, C.P.A., C.V.A.
David R. Williamson, C.P.A.
Jane F. Wang, C.P.A.
Joseph N. Elder, C.P.A.
Rana M. Emmons, C.P.A.

Jennifer A. Galofaro, C.P.A., C.V.A.
Susan H. Bertram, C.P.A.
Paula Ge, C.P.A.

BLOOMFIELD HILLS

3707 WEST MAPLE ROAD
SUITE 101
BLOOMFIELD HILLS, MI 48301-3212

TELEPHONE (248) 644-9125
FAX (248) 593-1986

July 25, 2006

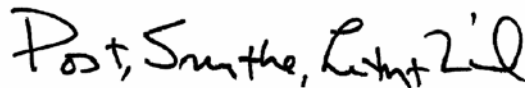
Board of Trustees
Freedom Township
4383 Lima Center Road
Ann Arbor, MI 48103

In planning and performing our audit of Freedom Township for the year ended March 31, 2006, we have considered the Township's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are an opportunity for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions in these areas. This letter does not affect our report dated July 25, 2006 on the financial statements of Freedom Township.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various Township personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional studies or assist in their implementation.

Respectfully,



POST, SMYTHE, LUTZ and ZIEL LLP
Certified Public Accountants

Property Tax Collection Fund

The property tax settlement process was significantly improved from the previous reporting year (2004). To build on the progress made, we recommend the following:

- Improve Internal Control – Currently, the Treasurer makes all bank deposits, signs all checks (single signature), reconciles the bank, and initiates disbursements without the involvement of any other employee. We suggest that you consider adding a “lock box” for deposits (where mail deposits are directed to your bank through a P.O. Box), add the clerk as a counter signer to disbursements, and use the clerk or a bookkeeper to perform monthly bank reconciliations.
- Interest earned on property tax collection accounts – P.A. 169 of 1988 requires townships to share investment income earned in the property tax fund with other taxing authorities. We recommend that the interest earned in the property tax fund be shared with the other taxing agencies as required by law.

Cash Receipts

We suggest that all cash receipts be sent directly to the Treasurer for deposit. This could be accomplished with a P.O. Box to be used for cash receipts. The Treasurer would then make the deposits, provide pre-numbered receipt copies to the Clerk, and copies of the checks to the Fire run billing clerk for accounts receivable postings. Currently the deposits for fire runs go directly to the billing clerk, which doesn't provide adequate segregation of duties. Other general Township receipts are primarily sent to the Clerk through the mail. The Township should also consider a “lock box” system for its general cash receipts.